

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF GARDEN	County DELTA
Fiscal Year End 03-31-06	Opinion Date 06-28-06	Date Audit Report Submitted to State 09-29-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO., PLC		Telephone Number 906-786-3111	
Street Address 901 LUDINGTON STREET		City ESCANABA	State MI
		Zip 49829	
Authorizing CPA Signature 	Printed Name ALAN M. STOTZ, CPA		License Number 1599539

FINANCIAL STATEMENTS

**TOWNSHIP OF GARDEN
DELTA COUNTY, MICHIGAN**

FOR THE YEAR ENDED MARCH 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Garden
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Garden, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Garden's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Garden, as of and for the year ended March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Anderson, Tackman & Company P.C.
Certified Public Accountants

June 28, 2006

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MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Garden Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the Township's financial statements, which begin on page 8.

The Garden Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns. This is the first year the township has reported under GASB 34, therefore, no comparisons with prior year will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$1,024,711.
- The Township's expenses for the year totaled \$205,659, while revenues from all sources totaled \$246,588, resulting in an increase in net assets of \$40,929.
- The General Fund reported an increase in fund balance of \$10,262 (or 7%) compared to an increase of \$30,347 (or 25%) in 2004. This was after revenues of \$112,781 compared to \$113,557 in 2004, and expenditures of \$102,519 compared to \$83,210 in 2004.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 8 and 9) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statement start on page 10. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Reporting the Township as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 4. One of the most important questions asked about the Township's finances; "Is the Township, as a whole, better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

In the Statement of Net Assets and the Statement of Activities, activity can be described as follows:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, public works, recreation and cultural, and general government. Property taxes and state shared revenues make up the majority of revenue for these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begin on page 6. The fund financial statements begin on page 10 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's has one type of fund - governmental.

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 14. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township as a Whole

The Township's net combined assets increased by \$40,929.

Table 1
Net Assets

	Governmental Activities 2006
Assets:	
Current and others assets	\$ 362,804
Capital assets (net)	688,862
Total Assets	<u>\$ 1,051,666</u>
Liabilities:	
Current liabilities	\$ 9,780
Long-term debt outstanding	17,175
Total Liabilities	<u>\$ 26,955</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 662,755
Restricted for:	
Expendable:	
Hiawatha Nat'l Forest Road	14,832
Unrestricted	347,124
Total Net Assets	<u>\$ 1,024,711</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Net assets of the Township's governmental activities stood at \$1,024,711. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$347,124.

Table 2
Changes in Net Assets

	Governmental Activities 2006
Revenues:	
Program Revenues:	
Charges for services	\$ 27,427
General Revenues:	
Property taxes	153,929
State revenue sharing	62,667
Grants	2,565
Total Revenues	<u>246,588</u>
Program Expenses:	
Legislative	1,997
General government	73,641
Public safety	40,182
Public works	68,627
Recreation and culture	2,812
Interest	1,295
Other	17,105
Total Program Expenses	<u>205,659</u>
Increase (decrease) in net assets	40,929
Net assets, beginning	<u>983,782</u>
Net assets, ending	<u>\$ 1,024,711</u>

Revenues for the Township's governmental activities totaled \$246,588, while expenses were \$205,659. The excess of revenues over expenses was \$40,929. Table three below reflects the cost of each of the Township's four largest activities; General government, Public safety, Public works, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services 2006	Net Cost of Services 2006
General government	\$ 73,641	\$ 69,016
Public safety	40,182	35,649
Public works	68,627	61,966
Other	17,105	12,651
Totals	<u>\$ 199,555</u>	<u>\$ 179,282</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$1,024,711, of which \$347,124 is unreserved.

General Fund Budgetary Highlights

A reclassification of activities between the General Fund and the Hiawatha National Forest Road was made as the Board felt the funds for the Metro Authority payments that were being recorded in the General Fund were actually best recorded in the Hiawatha National Forest Road fund as these funds were to be used for right-of-way on the roads.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended March 31, 2006, the Township had \$688,862, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, and vehicles. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

Land	\$ 275,770
Buildings	107,861
Transfer station equipment	-
Furniture and equipment	18,263
Transfer station vehicles	9,100
Fire department vehicles	<u>277,868</u>
Total	<u><u>\$ 688,862</u></u>

DEBT

At year-end the Township had \$26,107 in notes outstanding.

Table 5
Outstanding Debt at Year-End

	<u>2006</u>
Note Payable:	
Fire truck	<u><u>\$ 26,107</u></u>

There were no additions to long-term debt this fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

The Township is partnering with Big Bay de Noc School and applying for a grant to put in an outdoor classroom at the park at Garden Corners. The Township is also applying for a grant to put on outdoor concerts at the pavilion in the Village of Garden. This is being done through the parks and recreation program that the Township has.

The Township is also working on making the Township Hall handicap accessible. We are going to have a handicap accessible bathroom and the front door be handicap accessible.

All these plans are being worked into our budget for the fiscal year 2006-2007. Other than that, our budget is pretty much the same as last year's fiscal budget.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Garden Township Hall, P.O. Box 224, 6313 State Street, Garden, Michigan 49835.

TOWNSHIP OF GARDEN
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 356,243
Due from State	<u>6,561</u>
Total current assets	<u>362,804</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>688,862</u>
Total assets	<u><u>\$ 1,051,666</u></u>
LIABILITIES	
Current liabilities:	
Payroll taxes payable	\$ 848
Long-term liabilities due within one year:	
Notes payable	<u>8,932</u>
Total current liabilities	<u>9,780</u>
Long-term liabilities:	
Notes payable	<u>17,175</u>
Total liabilities	<u>26,955</u>
NET ASSETS	
Invested in capital assets, net of related debt	662,755
Restricted for:	
Expendable:	
Hiawatha National Forest Road	14,832
Unrestricted	<u>347,124</u>
Total net assets	<u>1,024,711</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,051,666</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Primary government:			
Governmental activities:		Fees, Fines and Charges for Services	Governmental Activities
Legislative	\$ 1,997	\$ -	\$ (1,997)
General government	73,641	4,625	(69,016)
Public safety	40,182	4,533	(35,649)
Public works	68,628	6,661	(61,967)
Recreation and culture	2,812	-	(2,812)
Interest	1,295	7,154	5,859
Other	17,105	4,454	(12,651)
	<u>\$ 205,660</u>	<u>\$ 27,427</u>	<u>\$ (178,233)</u>
Total governmental activities	<u>\$ 205,660</u>	<u>\$ 27,427</u>	<u>\$ (178,233)</u>

General revenues:	
Property taxes	153,929
State revenue sharing	62,667
Grants	<u>2,565</u>
Total general revenues	<u>219,161</u>
Change in net assets	40,928
Net assets, beginning	<u>983,783</u>
Net assets, ending	<u>\$ 1,024,711</u>

See accompanying notes to financial statements

**TOWNSHIP OF GARDEN
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006**

	Major Funds			Non-Major Fund	
	General Fund	Fire Fund	Transfer Station	Hiawatha National Forest Road Fund	Total Governmental Funds
ASSETS					
Cash and equivalents:					
Unrestricted	\$ 159,203	\$ 60,494	\$ 121,714	\$ 14,832	\$ 356,243
Due from State	6,561	-	-	-	6,561
Total assets	<u>\$ 165,764</u>	<u>\$ 60,494</u>	<u>\$ 121,714</u>	<u>\$ 14,832</u>	<u>362,804</u>
LIABILITIES					
Payroll taxes payable	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848</u>
FUND BALANCES					
Unreserved:					
Designated	-	-	-	14,832	14,832
Undesignated	<u>164,916</u>	<u>60,494</u>	<u>121,714</u>	<u>-</u>	<u>347,124</u>
Total fund balances	<u>164,916</u>	<u>60,494</u>	<u>121,714</u>	<u>14,832</u>	<u>361,956</u>
Total liabilities and fund balances	<u>\$ 165,764</u>	<u>\$ 60,494</u>	<u>\$ 121,714</u>	<u>\$ 14,832</u>	<u>\$ 362,804</u>

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total fund balances for governmental funds	\$ 361,956
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	275,770	
Buildings	333,282	
Transfer station equipment	4,500	
Furniture and equipment	29,555	
Transfer station vehicles	10,500	
Fire department vehicles	369,386	
Accumulated depreciation	<u>(334,131)</u>	
Total capital assets		688,862

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	<u>(26,107)</u>
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Total net assets of governmental activities	<u><u>\$ 1,024,711</u></u>
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See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

	Major Funds			Non-Major Fund	
	General Fund	Fire Fund	Transfer Station	Hiawatha National Forest Road Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 38,985	\$ 31,370	\$ 69,235	\$ 14,339	\$ 153,929
State sources	60,501	-	-	2,166	62,667
Charges for services	4,625	4,533	6,661	-	15,819
Grants	-	2,565	-	-	2,565
Interest and rentals	4,287	747	2,023	97	7,154
Other	4,383	71	-	-	4,454
Total revenues	112,781	39,286	77,919	16,602	246,588
EXPENDITURES:					
Legislative	1,997	-	-	-	1,997
General government	65,777	-	-	-	65,777
Public safety	11,218	9,858	-	-	21,076
Public works	1,134	-	45,579	20,010	66,723
Recreation and cultural	2,812	-	-	-	2,812
Debt service:					
Principal	-	18,407	-	-	18,407
Interest	-	1,295	-	-	1,295
Other	17,105	-	-	-	17,105
Total expenditures	100,043	29,560	45,579	20,010	195,192
Excess revenues (expenditures)	12,738	9,726	32,340	(3,408)	51,396
OTHER FINANCING SOURCES (USES)					
Operating transfer in	-	-	-	2,476	2,476
Operating transfer out	(2,476)	-	-	-	(2,476)
Total other financing sources	(2,476)	-	-	2,476	-
Net change in fund balance	10,262	9,726	32,340	(932)	51,396
Fund balances - beginning of year	154,654	50,768	89,374	15,764	310,560
Fund balances - end of year	\$ 164,916	\$ 60,494	\$ 121,714	\$ 14,832	\$ 361,956

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

Net changes in fund balances - total governmental funds	\$ 51,396
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation expense (\$28,875).	(28,875)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Note principal	<u>18,407</u>
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Changes in net assets of governmental activities	<u><u>\$ 40,928</u></u>
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See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

ASSETS

Cash and cash equivalents:	
Unrestricted	<u>\$ 821</u>

LIABILITIES

Undistributed taxes and interest:	
Township of Garden	\$ 416
Due to others	<u> 405</u>
 Total liabilities	 <u>\$ 821</u>

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, waste transfer station, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, and management's discussion and analysis. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following as major governmental funds in accordance with the above criteria:

General Fund – as described below;

Fire Fund – this fund accounts for the revenues and expenditures required to operate the Township's fire department.

Transfer Station Fund – this fund accounts for the revenues and expenditures required to collect and transfer solid waste from Township residents to the County landfill.

The funds of the Township are described below:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (2) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (3) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
 - b. The proposed budgets include expenditures as well as the methods of financing them.
 - c. Public hearings are held to obtain taxpayer comments.
 - d. The budgets are adopted at the activity level by a majority vote of the Township Board.
 - e. The budgets are adopted on the modified accrual basis of accounting.
 - f. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
 - g. The adopted budgets are used as a management control device during the year for all budgetary funds.
 - h. Budget appropriations lapse at the end of each fiscal year.
 - i. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
- (4) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund. The Township 2005 tax roll millage rate was 3.5774 and the taxable value was \$35,035,723.
- (5) Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the governmental column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.
- The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.
- Property, plant, and equipment of the Township is depreciated using the straight-line method over the estimated useful lives of the assets.
- (6) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 123,444	\$ 123,444
Uninsured	<u>233,620</u>	<u>289,924</u>
 TOTAL OF CASH AND EQUIVALENTS	 <u>\$ 357,064</u>	 <u>\$ 413,368</u>
 Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 356,243	
 Fiduciary Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>821</u>	
 TOTAL	 <u>\$ 357,064</u>	

Cash and cash equivalents consist solely of checking and saving account deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2006, the Township held \$413,368 in deposits with financial institutions, in which \$289,924 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006, is as follows:

	Balance at 03/31/05	Additions	Disposals	Balance at 03/31/06
Governmental activities:				
Assets not subject to depreciation				
Land	\$ 275,770	\$ -	\$ -	\$ 275,770
Capital assets subject to depreciation				
Buildings	333,282	-	-	333,282
Transfer station equipment	4,500	-	-	4,500
Furniture and equipment	29,555	-	-	29,555
Transfer station vehicles	10,500	-	-	10,500
Fire department vehicles	369,386	-	-	369,386
Total capital assets subject to depreciation	<u>747,223</u>	<u>-</u>	<u>-</u>	<u>747,223</u>
Total capital assets	<u>1,022,993</u>	<u>-</u>	<u>-</u>	<u>1,022,993</u>
Less accumulated depreciation:				
Buildings	217,124	8,297	-	225,421
Transfer station equipment	4,500	-	-	4,500
Furniture and equipment	10,170	1,122	-	11,292
Transfer station vehicles	1,050	350	-	1,400
Fire department vehicles	72,412	19,106	-	91,518
Total accumulated depreciation	<u>305,256</u>	<u>28,875</u>	<u>-</u>	<u>334,131</u>
Net governmental activities capital assets	<u>\$ 717,737</u>	<u>\$ (28,875)</u>	<u>-</u>	<u>\$ 688,862</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 7,864
Public safety	19,106
Public works	<u>1,905</u>
Total governmental activities depreciation expense	<u>\$ 28,875</u>

NOTE D – LONG-TERM DEBT

The note payable reflected in the government-wide financial statements was incurred for the purchase of a Freightliner fire truck (chassis and pumper). The original amount of the loan was \$44,515. The note is payable to State Savings Bank of Manistique, Michigan, in annual installments of \$9,702 including interest calculated at 2.95%. The note is secured by the truck.

The following is a summary of the note payable activity for the year:

Balance 3/31/2005	Additions	Retirements	Balance 3/31/2005
<u>\$ 44,515</u>	<u>\$ -</u>	<u>\$ 18,408</u>	<u>\$ 26,107</u>

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE D – LONG-TERM DEBT (Continued)

A schedule of the principal and interest payments on this note is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/07	\$ 8,932	\$ 770	\$ 9,702
03/31/08	9,791	507	10,298
03/31/09	<u>7,384</u>	<u>218</u>	<u>7,602</u>
 TOTAL	 <u>\$ 26,107</u>	 <u>\$ 1,495</u>	 <u>\$ 27,602</u>

NOTE E – DESIGNATED FUND BALANCE

The designated fund balance in the Hiawatha National Forest Roads Fund is designated for the improvement of county roads and “right-of-way” improvements within the Township.

NOTE F – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers’ compensation). The Township has purchased commercial insurance for property loss, torts and workers’ compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 34,065	\$ 34,065	\$ 38,985	\$ 4,920
State sources	55,350	57,350	60,501	3,151
Charges for services	500	500	4,625	4,125
Interest and rentals	2,800	2,800	4,287	1,487
Other	23,517	23,517	4,383	(19,134)
Total revenues	116,232	118,232	112,781	(5,451)
EXPENDITURES:				
Legislative:				
Board of commissioners	2,700	2,700	1,997	703
General government:				
Supervisor	7,075	7,075	6,768	307
Clerk	7,105	7,105	7,044	61
Treasurer	8,835	8,835	8,515	320
Township hall & grounds	27,000	27,000	14,503	12,497
Elections	600	600	542	58
Board of review	1,700	1,700	648	1,052
Assessor	19,400	19,400	19,078	322
Cemetery	7,190	8,000	8,679	(679)
Contractual services	1,000	1,000	-	1,000
Public safety:				
Fire department	1,500	1,500	1,234	266
Ambulance	10,000	10,000	9,984	16
Public works:				
Street lighting	1,100	1,100	1,134	(34)
Recreation and culture:				
Recreation and parks	3,700	3,700	2,812	888
Other:				
Employee benefits	6,000	6,000	5,478	522
Insurance & bonds	10,200	10,200	10,152	48
Miscellaneous	3,217	2,317	1,475	842
Total expenditures	118,322	118,232	100,043	18,189
Excess revenues (expenditures)	(2,090)	-	12,738	12,738
OTHER FINANCING SOURCES				
Operating transfer out	-	-	(2,476)	(2,476)
Net change in fund balance	(2,090)	-	10,262	10,262
Fund balances - beginning	154,654	154,654	154,654	-
Fund balances - ending	\$ 152,564	\$ 154,654	\$ 164,916	\$ 10,262

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 30,500	\$ 30,500	\$ 31,370	\$ 870
Charges for services	4,500	4,500	4,533	33
Grants	3,000	3,000	2,565	(435)
Interest	400	400	747	347
Miscellaneous	-	-	71	71
Total revenues	38,400	38,400	39,286	886
EXPENDITURES:				
Fire protection	17,450	17,450	9,858	7,592
Debt service				
Principal			18,407	
Interest	20,000	20,000	1,295	18,705
Total expenditures	37,450	37,450	29,560	7,890
Excess revenues (expenditures)	950	950	9,726	8,776
OTHER FINANCING (USES)				
Operating transfer in	10,000	10,000	-	(10,000)
Net change in fund balance	10,950	10,950	9,726	(1,224)
Fund balances - beginning	50,768	50,768	50,768	-
Fund balances - ending	\$ 61,718	\$ 61,718	\$ 60,494	\$ (1,224)

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSFER STATION FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 61,000	\$ 61,000	\$ 69,235	\$ 8,235
Charges for services	6,000	6,000	6,661	661
Interest	500	500	2,023	1,523
Total revenues	67,500	67,500	77,919	10,419
EXPENDITURES:				
Transfer station services	57,500	57,500	45,579	11,921
Capital outlay	10,000	10,000	-	10,000
Total expenditures	67,500	67,500	45,579	21,921
Net change in fund balance	-	-	32,340	32,340
Fund balances - beginning	89,374	89,374	89,374	-
Fund balances - ending	\$ 89,374	\$ 89,374	\$ 121,714	\$ 32,340



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA
Sarah M. Peloza, CPA

REPORT TO MANAGEMENT

To the Township Board
Township of Garden

We have audited the general purpose financial statements of the Township of Garden for the year ended March 31, 2006, and have issued our reports thereon dated June 28, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Garden. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Garden are described in Note A of the financial statements.

During the current year, the Township prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the Township.

We noted no transaction entered into by the Township of Garden during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and expertise about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most significant estimates affecting the Township's financial statements is the depreciable lives of capital assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township of Garden or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Garden's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Township of Garden for the year ended March 31, 2006, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated June 28, 2006, on the financial statements of the Township of Garden.

This information is intended solely for the Township's Board of Directors and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.A.C.

Certified Public Accountants

June 28, 2006

Township of Garden

Comments and Recommendations

March 31, 2006

Segregation of Duties

There is an inadequate segregation of duties with respect to cash control. This is not an uncommon problem in townships of such a small size, however, we recommend that the board continue to review cash activity balances at each board meeting to operate as a control and check over cash activity.

Receipt of Revenues

As with prior year's comment, we became aware that, on occasion, the Township will receive receipts, usually for hall rentals, at the residence of the Clerk or the Treasurer. We recommend that all monies should be received directly at the hall where a receipt and entry to the general ledger be immediate, or for monies to be received by the bank or a lock box.

Petty Cash

All cash should be recorded on the Township records. It came to our attention that the Transfer Station hold \$50 in cash as petty cash for making change to customers. Although it is acceptable to have this type of cash available, we recommend that it be recorded in the general ledger as an imprest cash account and that charges and receipts be accounted for.